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Comptroller

14 April 1954

Assistant Comptroller

Relief of Accountable Officers for Loss or Shortage of Funds  
(See attached papers)

1. The General Counsel's memo covers two main points:
  - a. Accountable officers have the burden of proving lack of negligence or fraud before they can be properly relieved of accountability for losses or shortages. Each case must be determined on the basis of the specific facts and circumstances which must be fully reported before a decision for relief is made. Self-serving statements by the accountable officer that "due diligence" was used and "reasonable safeguards" were taken is not acceptable proof to permit relief from liability.
  - b. The final responsibility for relieving accountable officers should be made by the DD/A.

2. I think we must agree with point 1, a. above. Regardless of whether relief is granted by DD/A, by a Board, or by some other official, that official or Board should have a complete factual report from the accountable officer, and from a disinterested "Survey" or "Investigating" officer as to the facts and circumstances involved. In other words, all the facts of the case should have been established beyond reasonable doubt before any official is required to make a recommendation or a decision respecting relief from liability. I believe that most of the difficulties experienced in handling such cases spring from the fact that we receive self-serving statements from the accountable officer, with approvals and recommendations from a variety of officials, instead of a complete factual report verified as to veracity by a disinterested "Survey" or "Investigating" officer. I believe that it is incumbent upon the Comptroller's Office, regardless of who may approve relief or write-offs, to prepare a comprehensive [redacted] specifically defining the reporting, survey, audit, and investigative requirements which must be met whenever a loss or shortage of official funds occur. Such Instruction should specifically cover the following points:

- a. Requirement that accountable officer make an immediate written report to his immediate superior (Chief of Station, unless the Chief of Station is the accountable officer) setting forth all facts pertaining to the loss or shortage. The instruction should provide a form, or contain a specific enumeration of questions which must be answered.

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SEE REVERSE FOR DECLASSIFICATION ACTION

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All facts pertaining to	
the loss or shortage. The instruction should provide	
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which must be answered.	
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- b. Requirement that the Chief of Station, upon being advised of, or learning of a shortage, shall designate a disinterested survey or investigative officer to survey the situation and make a separate factual report; if such survey indicates that a detailed audit and/or investigation is required to determine all the facts, the Chief of Station shall cause such audit or investigation if he has the resources or facilities to do so, and if not, make a request upon Headquarters to arrange for same. A specific list of questions which should be answered or reported upon by the Survey or Investigative officer should be enumerated in the instruction or in a form provided for that purpose.
- c. The Chief of Station should report all shortages immediately after they are discovered, and give a target date indicating when the survey or investigation is expected to be completed, and should be required to make interim reports at 30 day intervals if the investigation is prolonged.
- d. The Chief of Station should be required to submit a complete factual report including the statement of the Survey or Investigative officer, together with his recommendations for granting or not granting relief, to Headquarters, Attention, Comptroller.
- e. The accountable officer should be automatically denied relief and required to repay the amount of the loss or shortage if he fails to provide his superior with written notice of the loss or shortage within 30 days after it is discovered, unless adequate justification is presented showing the reasons why it was not reported promptly.

3. If Headquarters receives complete factual reports in line with the criteria mentioned above, we then have the further problem of how to review and process such data at Headquarters, what points of consideration are involved, and who should make the final approval or disapproval as to relief from liability. I believe that it is probably desirable that the DD/A be the final point of approval. However, any particular case may involve legal points, security and investigative considerations, operational considerations, and audit, accounting and related financial considerations. I, therefore, believe that in the interest of good staff work, and in order to conserve time of the offices involved and facilitate speedy processing of loss and shortage cases, that a Board consisting of representatives of the Comptroller, I & S, General Counsel, the operating office concerned, and the Audit office, should consider loss and shortage cases from the point of view of their respective responsibilities and make a joint recommendation to the DD/A as to the action

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to be taken in each case. This procedure would also permit the grouping and scheduling of miscellaneous small shortages resulting from bookkeeping or accounting adjustments. The alternative to a joint consideration is an individual coordination with all offices concerned in each case before forwarding the case to the DD/A, or forwarding the case to the DD/A without such coordination, thereby placing the burden on his office of having to solicit the opinion of each office individually. I submit that the principles of good staff work dictate that a joint consideration by a Board (or an ad hoc committee, if the title Board is objectionable) is the most efficient, effective, and economical method of considering and reviewing such cases.

4. Suggest we have a general discussion on this to try and get everybody concerned to agree on the course of action which should be taken, so that we may proceed all together to work out a solution which is in the best interests of the Agency.



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Attachment

FPB/jh

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Approved For Release 2002/06/28 : CIA-RDP78-05252A000100030031-1

Approved For Release 2002/06/28 : CIA-RDP78-05252A000100030031-1